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IN THE UNITED STATES DEPARTMENT OF ENERGY
WESTERN AREA POWER ADMINISTRATION
PHOENIX, ARIZONA

BOULDER CANYON PROJECT
PUBLIC INFORMATION FORUM

REPORTER'S TRANSCRIPT OF PROCEEDINGS

Phoenix, Arizona
April 6, 2011
10:47 a.m.

REPORTED BY: CHRISTINE JOHNSON, RPR
Certified Reporter #50383

PREPARED FOR: WESTERN AREA POWER ADMINISTRATION
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1 Be it remembered that heretofore on April 6, 2011,
2 commencing at 10:47 a.m., at the offices of the Western Area
3 Power Administration, Phoenix, Arizona, the following
4 proceedings were had, to wit:

5

6

7	OPENING REMARKS	Page
8	BY MR. DOUG HARNESS	3

9

10

11	COMMENTS BY:	Page
12	FANT, Doug	12
13	DELANEY, Dennis	14

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1 MR. HARNESS: Well, since everybody has quieted
2 down, I guess we will begin. Well, good morning, everybody.
3 Welcome to today's Public Information Forum. My name is
4 Doug Harness. And can everybody hear me, okay? Can you
5 nod. Thank you. Makes me wonder if I ask if everybody can
6 hear me and nobody responds. I guess I won't get an answer
7 to my question.

8 Anyway, enough with the shenanigans. My name is
9 Doug Harness. Like I said, and I'm an attorney with Western
10 from our corporate services office in Lakewood, Colorado,
11 and I'll be the moderator for this Forum.

12 This Public Information Forum has been scheduled
13 so that we would have the opportunity to give you a full
14 explanation of the proposed Boulder Canyon Project Electric
15 Service Base Charge and Rates. The current base charge and
16 rates expires September 30th, 2011.

17 This Forum also gives you the opportunity to --
18 opportunity to ask any questions you might have regarding
19 the proposed base charge and rates. Please keep in mind
20 that all issues raised today should be relevant to this
21 process.

22 Please wait to ask questions until after our
23 formal presentation has been completed. The Public Comment
24 Forum for this proposed adjustment is scheduled to be held
25 on April 27th, 2011 at 10:30 a.m. at this same location.

1 Written comments on the proposed base charge and
2 rate adjustment may be submitted at any time during the
3 comment period. These comments should be sent to
4 Mr. Darrick Moe, Regional Manager Desert Southwest Customer
5 Service Region, Post Office Box 6457, Phoenix, Arizona, Zip
6 85005-6457. His e-mail is Moe, M-O-E, at wapa.gov and
7 written comments may also be faxed to area code
8 (602) 605-2490. All comments should be submitted so that
9 they are received by May 16th, 2011, which is the end of the
10 comment period.

11 A verbatim transcript of today's Forum is being
12 prepared by our court reporter. Everything said while we're
13 in session today, together with all exhibits, will be a part
14 of the official record. Copies of today's transcript will
15 also be available upon payment of the required fee to the
16 court reporter. Copies of the transcript and complete
17 record of this public process will also be available for
18 review here at the Desert Southwest Regional Office and at
19 Western's Corporate Services Office in Lakewood, Colorado.
20 Any questions we're not able to answer this morning will be
21 answered for you in writing before the end of the comment
22 period.

23 And unless anybody has any initial questions, I
24 will turn this over to Gloria Jordan for the presentation.

25 MS. JORDAN: Thank you Doug. Good morning and

CHRISTINE JOHNSON, RPR
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1 welcome to the Boulder Canyon Project Public Information
2 Forum. My name is Gloria Jordan, I'm a Public Utility
3 Specialist in the Rates Division for Western Area Power
4 Administration here in Phoenix, Arizona.

5 Today's presentation is a brief overview of the
6 proposed fiscal year 2012 base charge and rates. The
7 presentation will be delivered in a rate formula format.
8 However, on March 10th, 2011, we did host an informal
9 customer rate meeting where we presented the data in a much
10 greater detail than today's presentation.

11 When you signed in this morning, you should have
12 taken copies of five different handouts. You would have a
13 copy of today's presentation, Powerpoint presentation. You
14 would also have a copy of the presentation detail to the
15 Powerpoint presentation. There's copies of explanations for
16 both Western and Reclamation's changes between fiscal year
17 2011 and 2012. There's also a copy of the Power Repayment
18 Study Executive Summary.

19 With that, you might want to follow along with the
20 presentation detail handout to the presentation this
21 morning. It has much greater detail.

22 There have been some changes since the informal
23 meeting on March 10th to the data that we're presenting
24 today. Those changes are Reclamation reduced their costs by
25 400,000 in fiscal year 2012. This relates to the A&GE costs

1 and the Visitor's Center and this is related to a reduction
2 in the plan site security.

3 In addition to those changes, Western has updated
4 the energy sales and capacity sales to the April reports
5 that came out for both the capacity and energy. All other
6 data that we present today has remained the same from
7 March 10th, 2011.

8 With this being said, on slide two, we are
9 presenting here the approved fiscal year 2011 base charge to
10 the proposed fiscal year 2012 base charge. This is what you
11 are paying today, \$75,182,522, in fiscal year 2011. We are
12 projecting that in fiscal year 2012, you will pay
13 \$87,266,699 for the power. That's a \$12 million increase in
14 2012 from 2011.

15 Two important things to note on this slide is that
16 your total expenses are increasing a little over \$8 million.
17 There's no projected carryover at the end of fiscal year
18 2011 into 2012. Those two factors result in a \$12 million
19 increase.

20 On slide three is a comparison of the three fiscal
21 years' data that impacts fiscal year 2012. In 2010, we
22 trued up from estimates to actuals and in doing that, we
23 resulted in an adjusted base charge of \$65,249,835. That's
24 versus the 70,681,340 that we actually collected in 2010 for
25 the base charge. That's a \$5.4 million cash available at

1 the end of 2010, the revised 2011 change, somewhat due to
2 Western's expenses.

3 However, the base charge is remaining the same.
4 We hope to recover -- we will recover those additional costs
5 in 2011 without having to go back out and collect more money
6 from the power contractors.

7 2012, then you can see that we're proposing total
8 expenses to be 100,967,699 with the end result of a base
9 charge. Actually, we have no carryover there coming into
10 2012, and the revenues remain the same, which results in the
11 87,266,699 for 2012.

12 Slide four is the detail in 2010 from estimates to
13 actuals. We're presenting the categories that actually
14 changed in the estimates to the actuals. Reclamation's O&M
15 and replacements were actually \$1,245,062 higher than what
16 we had projected in 2010. Western's operation maintenance
17 and replacements were \$115,953 higher than what we had
18 projected.

19 However, all the other annual expenses, which are
20 your uprating program, your principal and interest on
21 investment, the Visitor's Center, payments to states and
22 other interest resulted in a net decrease of 1,806,908 from
23 what we had projected supposed to be in 2010.

24 That resulted in total expenses being \$445,893
25 less than what we had projected for a -- for total expenses

1 in 2010. In addition to that reduction, we had initial
2 carryover at the end of 2009 into 2010 of \$3,230,241. We
3 had additional other revenues of \$1,530,058 and water sales
4 revenues came in at \$225,313 more than what we had
5 projected. That resulted in cash available of the
6 \$5,431,505 at the end of fiscal year 2010.

7 In the year that we true up from estimates to
8 actuals, we take into consideration the change in
9 undelivered orders, which for both Reclamation and Western
10 were \$1,241,336. Another item that we take into
11 consideration is a change in accounts receivable, which is
12 the one-month timing lay from the time we bill the power
13 customers until we actually receive the revenue in the dam
14 fund and that was \$70,391.

15 When you consider those two items from the cash
16 available of 5.4 million, we end up with cash available for
17 carryover of \$4,119,778. However, when we developed 2010
18 base charge, we projected a carryover of \$3,954,428. So we
19 ended up with an additional \$165,350 more than what we had
20 projected in carryover at the end of 2010.

21 The next slide, five, is the detail on the revised
22 2011. I mentioned that Western's OM&R had changed. What
23 happened is -- and in October of 2010 and in January of
24 2011, Western presented to the Engineering and Operating
25 Committee folks the -- that we had underestimated or

1 understated some budget activities for fiscal year 2011, and
2 that's where these additional costs come into play in 2011.

3 In addition, we had a few items that change -- it
4 was the other interest projection that I recalculated and
5 actually we had a slight increase in P and I, principal and
6 interest, but the end result was 165,350. So what we did
7 was we increased our expenses by the amount of the
8 additional carryover at 2010 to cover the additional costs.
9 That results then in zero carryover at the end of 2011.
10 More detail to this is on page 3 of your presentation detail
11 handout.

12 On slide six, we're comparing the revised 2011 to
13 the proposed 2012 and, again, the important factors to point
14 out here is that total expenses are increasing by 8 million
15 in 2012 from 2011. We had lack of carryover at the end of
16 2011 into 2012 where we had the 4 million at the end of 2010
17 into 2011. All revenues remain the same. So this results
18 in a base charge -- a proposed base charge of \$87,266,699,
19 \$12 million increase. And additional information is on page
20 4 of your presentation detail handout.

21 Slide seven is another step down in detail to the
22 revised 2011 to the proposed 2012. The \$8 million increase
23 that I had mentioned is the operation and maintenance and
24 replacements for Reclamation that it's increasing \$7,111,770
25 from 2011 to 2012. This slide is presenting the changes

1 between the two years.

2 Western's operation and replacements are
3 increasing \$1,152,341. Then all the other annual expenses
4 that I mentioned like your Visitor's Center costs, principal
5 and interest, uprating program, we actually have a reduction
6 of \$299,711 with those items. The end result, the total
7 expenses is increasing \$7,964,400.

8 So, again, the two factors that result in a
9 \$12 million increase is the increase of 8 million in total
10 expenses and the lack of carryover at the end of 2011.
11 Again, there's more detail on page 5 of your presentation
12 detail.

13 And slide eight is kind of a recap of the base
14 charge again and the proposed energy capacity and composite
15 rates. The \$12 million increase in the base charge from
16 fiscal year 2011 to 2012 is a little over a 16 percent
17 increase or change from fiscal year 2011 to 2012. Your
18 energy rate is increasing 1.37 mills/kW hour from fiscal
19 year '11 to fiscal year 2012. That's approximately a
20 14 percent increase in the energy rate.

21 The energy sales have increased about 75,918
22 megawatt hours and this 3,886,896 is the updated energy
23 number that came out of the April 24-month study that Javier
24 ran through the master schedule, Western's master schedule
25 that determined the 3,886,896 megawatt hours. This is

1 approximately a 2 percent increase in the sales from fiscal
2 year 2011 to 2012.

3 The capacity rate is increasing 21 cents per kW
4 month or the capacity sales 82,000 from fiscal year 2011 to
5 2012. Again, the 1,727,000 kilowatts came from the
6 April 17-month study and that is a 12-month average. That
7 results in approximately 5 percent increase in sales with a
8 little over 11 percent increase in the capacity rate.

9 The composite rate we're proposing to be 22.45
10 mills/kW hour versus the existing 19.73 mills/kW hour. This
11 is a 2.72 mills per/kW hour increase or a 14 percent
12 increase in the composite rate. These, however, will be
13 updated again prior to finalizing the rate package to be
14 whatever comes out in Western's final master schedule in May
15 or June time frame.

16 On slide nine, the next steps are the Public
17 Comment Forum will be posting on April 27th, right here,
18 same time, same place. The initial Federal Register Notice
19 was published February 14th, 2011, which the end of the
20 consultation and comment period then is May 16th, 2011, 90
21 days after publication. The effective date of the base
22 charge and rates will be October 1, 2011.

23 If you have additional questions after today's
24 Forum, you have -- we have some additional information on
25 staff. Reclamation contacts are Brian Sorensen, Financial

1 Officer; Magen Stemmer, Accountant; D'Anne Wells, Budget
2 Analyst; and Larry Karr, Public Utilities Specialist.

3 For Western's regarding any questions on the rate
4 process and PRS repayment of Western data, you can contact
5 Jack Murray, the Rates Manager, or myself or Tammy Heffner,
6 our Budget Analyst. All presentation data today will be
7 posted on our website at
8 www.wapa.gov/dsw/pwrnkt/BCP/RateAdjust.htm.

9 And this concludes the presentation for today's
10 Forum. I'm going to turn it back over to Doug Harness.

11 MR. HARNESS: Thank you, Gloria. We'll now open
12 the Forum for questions and comments. We won't have a
13 formal panel, but we do have quite a number of Western or
14 Reclamation folks here to answer questions.

15 I would ask after you've been recognized, if you
16 would please provide your name and the name of any
17 organization that you represent and to spell your name for
18 the convenience of our court reporter.

19 So with that, the floor is open.

20 MR. FANT: Doug Fant, F-A-N-T, Arizona Power
21 Authority. Obviously, you have ground impacts and
22 replacement impacts. I'm just curious if we're starting to
23 see inflationary impacts on your services and materials that
24 you're procuring, or is this all mainly replacements and job
25 driven in terms of input over your costs?

1 MS. JORDAN: I'm sure we are. Tammy, you probably
2 know better than I do, the budget inflation.

3 MS. HEFFNER: Tammy Heffner, Western Area Power.
4 Sorry about that. The inflationary factor that was used for
5 2012 was 3 percent.

6 MR. FANT: Is that higher than ten or nine or --

7 MS. HEFFNER: No, it's the same. So it's -- I
8 mean, what has been the standard for some time is my
9 understanding.

10 MR. FANT: Okay. Thank you.

11 MS. HEFFNER: You're welcome.

12 MR. FANT: Doug Fant. I'll ask one more question.
13 I'm not familiar with the process. Do you base your true
14 input based on Reclamation data? Is that a running figure
15 or is that established on a given date, say April 1st,
16 May 1st, that you use in terms of establishing a budget,
17 your assumed power generation?

18 MS. HEFFNER: Oh, for power generation?

19 MS. JORDAN: The energy and sales numbers --

20 MR. FANT: The energy and sales number, right.

21 MS. JORDAN: Those are the most current numbers
22 that came out in April 17-month schedule and 24-month study
23 from Reclamation.

24 MR. FANT: Okay.

25 MS. JORDAN: However, they will be updated to

1 whatever, come May or June when we do our final master
2 schedule, whatever the projections are for the day --

3 MR. HARNESS: Chris, could you hear her?
4 Dennis?

5 MR. DELANEY: Dennis Delaney, D-E-L-A-N-E-Y, with
6 KV Saline & Associates. We are a consulting firm that
7 represents a number of the smaller entities in Arizona that
8 receive an allocation through the Arizona Power Authority.

9 We just need to put on record that the rate
10 impacts are excessive. They're going to be difficult to
11 absorb, and we need Reclamation and Western -- mainly
12 Reclamation -- to look at every line item on the replacement
13 and maintenance items and to try to trim back as many of the
14 increased dollars as possible.

15 MR. HARNESS: Okay. Thank you. Does anybody else
16 have anything they'd like to say?

17 (Pause.)

18 MR. HARNESS: Last chance here. Well, seeing that
19 nobody is indicating a desire to take any more comments,
20 we'll work towards closing our forum here, but before we do
21 that, I want to thank you all for coming this morning. We
22 certainly appreciate your attendance and your attention and
23 your input.

24 We would ask if you have not already done so, that
25 you -- I'm sorry, you sign the attendance roster that was

1 outside the door as you came in so we have an accurate
2 attendance record for today.

3 I think we've already mentioned the Public Comment
4 Forum on April 27th, which will be the opportunity to --
5 additional opportunity to provide some comments. And other
6 than that, we'll stick around for a few minutes after the
7 Forum is over to answer any other less formal, I guess,
8 questions that you might have.

9 So with that, again, thank you very much and we'll
10 close the Forum. Off the record, please.

11 (Whereupon, the proceedings terminated at
12 11:10 a.m.)

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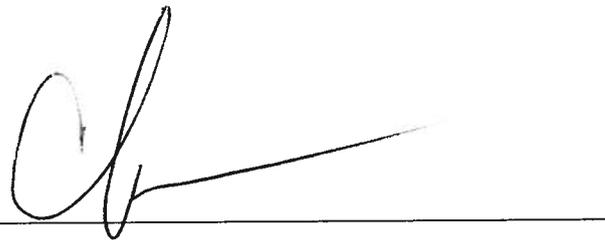
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I, CHRISTINE JOHNSON, having been first duly sworn and appointed as Official Court Reporter herein, do hereby certify that the foregoing pages numbered from 2 to 15, inclusive, constitute a full, true and accurate transcript of all the proceedings had in the above matter, all done to the best of my skill and ability.

DATED this 11th day of April, 2011.

A handwritten signature in black ink, appearing to be 'C. Johnson', is written over a horizontal line.

Christine Johnson, RPR
Certified Court Reporter No. 50383



BOULDER CANYON PROJECT
PUBLIC INFORMATION FORUM

APRIL 6, 2011 AM

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BOULDER CANYON PROJECT
PUBLIC INFORMATION FORUM
APRIL 6, 2011

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